



4 September 2020

European Bank Authority  
EUROPLAZA  
20 Avenue André Prothin  
92400 Courbevoie  
France

Submitted via comments section on consultation page

**RE: EBA delivering on the implementation of the new regulatory framework for investment firms**

Dear Sirs,

BlackRock, Inc. (BlackRock)<sup>1</sup> is pleased to have the opportunity to respond to the following Consultation Papers:

- EBA/CP/2020/06 on prudential requirements;
- EBA/CP/2020/07 on reporting requirements and disclosures.

BlackRock supports a regulatory regime that ensures a proportionate and technically consistent prudential framework for investment firms and we will continue to contribute to the thinking of the European Banking Authority ('EBA') on any issues that may assist in the outcome.

Within our response we have addressed the questions posed within the consultation papers (see Appendices 1 and 2) and highlighted other areas where we believe investment firms would benefit from further clarity. Our key areas of focus are outlined below and include seeking clarity on the treatment of cross-holdings, the distinction between in-scope and out-of-scope advisory services and the distinction between investment firms and financial entities. We have also highlighted where we believe investment firms would benefit from additional clarity in relation to the Fixed Overhead Requirement ('FOR') and the K-factor calculations. Lastly, we believe that it would be beneficial for the EBA to provide further guidance on the process and timescales involved regarding the notifications from the National Competent Authority ('NCA') in relation to consolidation.

As an overarching recommendation we would encourage the EBA to ensure that the level of detail included in the consultation papers is replicated in the Regulatory Technical Standards ('RTS').

**Cross-holdings, in-scope and out-of-scope advisory services and investment firms and financial entities**

The draft RTS addresses in Section 7, Article 3 the need for clarity on the definition of Assets Under Management ('AUM') to be applied for the purpose of discretionary portfolio management which was identified as lacking in the Investment Firm Regulation ('IFR') text. However, further

---

<sup>1</sup> BlackRock is one of the world's leading asset management firms with over \$7 trillion in assets under management as at 30 June 2020. We manage assets on behalf of institutional and individual clients worldwide across equity, fixed income, liquidity, real estate, alternatives and multi-asset strategies. Our client base includes pension plans, endowments, foundations, charities, insurers and other financial institutions, as well as individuals around the world.

clarity could be provided in respect of the treatment of cross-holdings between entities of the same consolidation group, or in relation to the definition of AUM for non-discretionary arrangements of an on-going nature.

Also, the consultation paper and draft RTS text are ambiguous in relation to the advisory services which should be considered in scope of “non-discretionary advisory services”. Consequently, we are unclear as to how to distinguish between in-scope and out-of-scope advisory services for the purpose of calculating non-discretionary AUM and would value additional clarity in the RTS text.

Furthermore, both EBA/CP/2020/06 and the IFR refer to instances where an investment firm “delegates management of assets to another financial entity” but they do not clarify the distinction between investment firms and financial entities. Clarity on the distinction between these two terms, in the RTS, would be welcomed. Also, EBA/CP/2020/06 distinguishes between investment firms and AIFMD<sup>2</sup> / UCITS<sup>3</sup> management companies – if relevant, a similar distinction within the RTS would be beneficial.

## Consolidation

The RTS provides complete discretion to the NCA to impose a different method of consolidation on investment firms where applicable. The text does not specify when the NCA would notify the firm of the method of consolidation they are to apply or how long after the decision is confirmed that consolidation should be altered.

We believe it would be beneficial for further guidance to be provided on the process and timescales involved regarding the notifications from the NCA which would allow firms/groups to take the necessary steps to address the requirements, rather than potentially giving NCAs discretion to change the obligations imposed at short notice. Article 32 of Directive 2013/36/EU provides an example of how derogations can operate and be monitored.

## Templates

As requested in EBA/CP/2020/07 we have highlighted the discrepancies we have identified within the templates which will hopefully assist the EBA in its preparations. You will see in our response to Question 11 that we have stated that it would be helpful, in order to avoid unnecessary submissions, if the EBA clarified the level of application (individual / consolidated) for the various reports / disclosures required under IFR. In addition, it would be helpful if the EBA would confirm the process for returns that are not applicable i.e. is a nil return submission required?

## Additional questions on EBA/CP/2020/06 on prudential requirements

Within Appendix 2 we have identified Articles which we feel would also benefit from some additional clarity with a view to assisting the FOR calculation and the K-factor calculations. This includes confirmation that the K-factors for K-NPR and K-CMG only apply to an investment firm that has the permissions to deal on own account (in own name, even if on behalf of clients) or underwrite or place on a firm commitment basis?

Furthermore, in Appendix 2 we have highlighted points in relation to the calculation of the total value of assets which also require more clarity. For example, in relation to a definition of

---

<sup>2</sup> *Alternative Investment Fund Managers Directive*

<sup>3</sup> *Undertakings for the Collective Investment in Transferable Securities*



‘prudential individual reporting’, the use of non-statutory financial statements where audited annual statements are not available and clarity on the specific reporting dates to be used in the calculations.

We welcome the opportunity for investment firms to work with the EBA to help develop a model which establishes a new prudential regime for investment firms, and further discussion on any of the points that we have raised.

Yours faithfully,

**Colin Thomson**  
Chief Financial Officer  
BlackRock Group Limited

**Andrew Johnstone**  
Head of Prudential Policy

## Appendix 1 – BlackRock’s response to the EBA Consultation Paper questions

### A. EBA/CP/2020/06 – prudential requirements

#### Question 1.

***Is the proposed articulation of the K-factors calculation methods, in particular between AUM and CMH and ASA, exhaustive or should any other element be considered?***

The following matters were identified as lacking specific clarity in the Investment Firm Regulation text published in December 2019:

- (i) A specific definition of Assets Under Management for the purpose of the K-AUM factor;
- (ii) The correct treatment of cross-holdings between entities of the same consolidation group when calculating AUM; and
- (iii) The definition of AUM in respect of “non-discretionary arrangements of an on-going nature” for the purpose of the K-AUM factor.

The EBA draft RTS provides clarity on the definition of AUM to be applied for the purpose of discretionary portfolio management. Specifically, Section 7, Article 3 states that:

- (i) the calculation shall include the value of financial instruments calculated at fair value in accordance with the applicable accounting standards;
- (ii) financial instruments with a negative fair value shall be included in absolute value; and
- (iii) the calculation shall include cash except any amounts covered under Client Money Held (‘CMH’) in accordance with Article 4.

However, clarity has not been provided in respect of the treatment of cross-holdings between entities of the same consolidation group, or in relation to the definition of AUM for non-discretionary arrangements of an on-going nature.

The following matters would benefit from further clarity (references to articles are referring to the articles in Section 7 of the EBA/2020/06 consultation paper unless otherwise stated):

- (i) The EBA 2020/06 consultation paper and draft RTS text is ambiguous in relation to the advisory services which should be considered in scope of “non-discretionary advisory services”. Clarity is required to ensure assets are included / excluded correctly in the K-AUM calculation.
  - Article 2(1) notes that assets relating to the advisory services referred to in Directive 2014/65/EU (Annex 1, Section B (Para. 3)) should not be included in the value of AUM to be used for the purpose of the K-AUM factor. The RTS presents this as a complete reference to the type of advisory services which would not satisfy the definition of “non-discretionary advisory arrangements”.
  - However, Section 3.6.3 (Para. 48) of the EBA 2020/06 consultation paper suggests that the reference to Directive 2014/65/EU (Annex 1, Section B (Para. 3)) is only

illustrative and that the range of services to be excluded from the definition of non-discretionary services could be more extensive. Section 3.6.3 (Para. 46) notes that the definition of AUM includes Assets “managed under *certain* non-discretionary arrangements” but does not elaborate on the type of arrangements this refers to.

- Taking these points together, we are unclear as to how to distinguish between in-scope and out-of-scope advisory services for the purpose of calculating non-discretionary AUM and would value additional clarity in the RTS text.
- (ii) Section 3.6.4 (Para. 49) and Article 17 of the IFR refer to instances where an investment firm “delegates management of assets to another financial entity” but does not clarify the distinction between investment firms and financial entities. Clarity on the distinction between these two terms, within the RTS text, would be welcomed. Section 3.6.4 (Para. 50) distinguishes between investment firms and AIFMD / UCITS management companies – if relevant, a similar distinction within the RTS text may support the application of Article 17 of the IFR.

Furthermore, explicit confirmation that the delegation provisions apply equally to (i) delegation between IFD / IFR firms and an AIFMD / UCITS management company; and (ii) delegation between two firms which are both in-scope of the IFD / IFR, would be valuable.

If there are instances where the delegation provisions would not apply (i.e. where one of the entities party to the delegation is not required to calculate an AUM-based capital requirement), clarity on the principles to be considered / the approach to be adopted would be welcomed. Whilst such circumstances are referred to in section 3.6.4 (Para. 50) this is not explicitly addressed within the RTS.

- (iii) Neither the EBA/2020/06 consultation paper or the draft RTS clarify the correct treatment of cross-holdings between two entities within the same consolidation group or which have the same ultimate parent company, where both entities are required to calculate an AUM-based capital requirement. Specific clarity on this point within the RTS would be welcomed.
- (iv) Article 2(2) clarifies the treatment of assets where both discretionary portfolio management and non-discretionary advisory services are provided by different entities. However, in the instance that both discretionary portfolio management and non-discretionary advisory services are provided by different entities within the same consolidation group, we believe this results in double-counting. This is contrary to the intention outlined in section 3.6.4 (Para. 50) of the EBA/2020/06 consultation paper where it is indicated that double counting should be avoided. The approach proposed in the draft RTS is particularly punitive for consolidation groups given that assets managed under both discretionary and non-discretionary arrangements are subject to the same co-efficient when calculating the K-AUM requirement.

## Question 2.

***Are the requirements for notion of segregated accounts sufficient? Are there issues on segregated accounts which need to be elaborated further?***

It has been noted that Article 15(5)(b) of the IFR states five key requirements for the notion of segregated accounts. Requirements (a), (b), (c) and (e) can be *applied* to segregated accounts but they do not *define* segregated accounts. These four points, however, are aligned to reflect the UK Client Assets regulations ('CASS'). Point (d) does define a segregated account which is helpful to understand the inclusions.

Our view is the definition of what constitutes a segregated account and a non-segregated account remains ambiguous and therefore we would welcome additional clarity on the definition of these. For example, at present in the UK, the CASS regulations clearly state that if an investment firm holds client monies in a non-segregated account, it would be considered a regulatory breach. It is in the interest of all investment firms to have a clear understanding of the definition and requirements to ensure these are adhered to and these are consistently applied across the industry.

## Question 3.

***Is there any example of situations of market stress which would not been taken into account applying the proposed approach but would be relevant for the measurement of the K-DTF?***

We have no additional comments.

## Question 4.

***What would be appropriate thresholds or events that should trigger the comparison between the calculation under the K-CMG compared to the one under the K-NPR?***

We have no additional comments.

## Question 5.

***Which other conditions should be considered to avoid double counting or to prevent regulatory arbitrage in the use of the K-CMG approach?***

We have no additional comments.

## Question 6.

***Do you have any comment on the elements included in this Consultation Paper for the application of the aggregation method?***

We have no additional comments.

## Question 7.

***Do you currently use the method of proportional consolidation for the consolidation of subsidiaries in accordance with Article 18(4) of Regulation (EU) No 575/2013? If proportional consolidation is used, please explain if the conditions included in this Consultation Paper are met.***

We have no additional comments.

## Question 8.

***Do you have any comments on the conditions established in this Consultation Paper to apply proportional consolidation to investment firms groups under Regulation (EU) No 2019/2033?***

The RTS provides complete discretion to the NCA to impose a different method of consolidation on investment firms where applicable. The text does not specify when the NCA would notify the firm of the method of consolidation they are to apply or how long after the decision is confirmed that consolidation should be altered.

We believe it would be beneficial for further guidance to be provided on the process and timescales involved regarding the notifications from the NCA which would allow firms/groups to take the necessary steps to address the requirements, rather than potentially giving NCAs discretion to change the obligations imposed at short notice. Article 32 of Directive 2013/36/EU provides an example of how derogations can operate and be monitored.

## Question 9.

***The methods for calculating the K-factors in a consolidated situation may allow for further specifications. Is there any K-factor for which the calculation in the context of the consolidated basis would require further specifications? What aspects should be considered?***

Section 12 (Article 11) of the Consultation Paper provides guidance on consolidation in respect of K-AUM – we would welcome explicit confirmation, either within the RTS text or in a response to the consultation process, that the provision of Article 11 (Para. 3(c(ii))) is intended to capture the AUM of MiFID activities performed under a MiFID ‘top-up permission’ when this is performed by, for example, an AIFM or UCITS manager.

## **B. EBA/CP/2020/07 on reporting requirements and disclosures**

### Question 1.

***Are the instructions and templates clear to the respondents?***

We reviewed the template IF 03.00 and made the following observations:

- (i) The “Distribution of profits” requires disclosure on row 0060, the “Employees', directors' and partners' shares in net profits” requires disclosure on row 0090 and “Other discretionary payments of profits and variable remuneration” requires disclosure on row 0100. The guidance, however, does not define the distinction between these three

reporting items. It would be helpful for the guidance to define the basis of each of the values to be reported.

- (ii) It is our understanding that the discretionary dividend payments should not be included in the Fixed Overhead Requirement calculation. Can the EBA confirm that this interpretation is correct and consider including a statement, within the reporting instructions, which makes this clear?
- (iii) The guidance states “Row 0060 (Distribution of profit) shall be lower than row 0050 (Total expenses before distribution of profits)”. Can the EBA provide further clarification and a rationale for this requirement?
- (iv) The guidance notes “Row 0030 (Total expenses of the previous year after distribution of profits) is the difference of rows 0050 (Total expenses before distribution of profits) and 0060 (Distribution of profits). The amount reported shall be a positive amount.” Can the EBA clarify whether this should actually state that ‘Row 0300 should equate to the sum of rows 0050 and 0060’?

## Question 2.

***Is the level of detail on small and non-interconnected investment firms templates and instructions sufficient and proportionate for the level of activity of these firms?***

We have no additional comments.

## Question 3.

***Are the instructions and templates IF 05.00 and IF 05.01 clear to the respondents?***

We have no additional comments.

## Question 4.

***K-Factor requirement - Do the respondents identify any discrepancies between templates IF 06.01 - IF 06.13 and instructions and the calculation of the requirements set out in the underlying regulation?***

We reviewed the templates IF 06.01 – IF 06.13 and identified the following discrepancies:

- (i) Inconsistencies in data requests – It was noted that for the purpose of table IF 06.01 in the template IF 06.00, data for the three most recent months is requested however under Article 17 of the IFR the three most recent monthly values are excluded when calculating K-AUM. Similarly, for the purpose of the table IF 06.04 table in template IF 06.00, eight months of data is requested however the calculation only requires six months of data for calculating K-CMH. (Note: K-AUM and K-CMH has been used illustratively; this point applies to all K-factors included within template IF 06.00).
- (ii) It would be helpful if the EBA clarify why data that is not required as part of the K-factor calculation is requested. If this data is required, can the supporting instructions be updated to provide the rationale? Alternatively, if the data is not required, can the



templates be updated to remove the information that is not necessary for the K-factor calculations to avoid confusion?

- (iii) *Content of table IF 06.11* - For the purpose of table 06.11 in the IF 06.00 template, can the EBA clarify if this table is to be populated with data relating to only the trading book exposures or should it include other data? The table itself and guidance provided do not specify what this table illustrates therefore additional wording to articulate this would be helpful.

## Question 5.

**Concentration risk - Do the respondents identify any discrepancies between templates IF 07.00 - IF 08.00 and instructions and the calculation of the requirements set out in the underlying regulation?**

We have no additional comments.

## Question 6.

**Liquidity requirements - Are the instructions and templates clear to the respondents?**

We have reviewed the Liquidity template IF 09.00 and related instructions. Inconsistencies were noted between the template and the instructions which are described below. It would be helpful if the following could be reviewed and the instructions updated if necessary:

- (i) For row 0030, the instructions state "This row is sum of rows 0040, 0050, 0060, 0160, 0220, 0280 and 0290." Our view is the statement should read 'This row is the sum of rows 0040, 0050, 0060, 0170, 0230, 0290 and 0300.'
- (ii) For row 0170, the instructions state "Sum of rows 0170 - 0210." Our view is the statement should read 'Sum of rows 0180 - 0220.'
- (iii) For row 0230, the instructions state "Sum of rows 0230 - 0270." Our view is the statement should read 'Sum of rows 0240 - 0280.'

## Question 7.

**Group Capital Test - Are the instructions and templates (IF 11.01, 11.02, 11.03) clear to the respondents?**

We have no additional comments.

## Question 8.

**Template IF EU CC1 - Do the respondents identify any discrepancies between the template and instructions and the requirements set out in the underlying regulation?**

On review of the template EU IF CC1, the "Sources based on the balance sheet in the audited financial statements" (column E - ref (b)) is requested. The majority of these items are not individually disclosed on the balance sheet in the financial statements and therefore it would be helpful to understand why this information is required. In addition, where an amount exists under

column D and it is not disclosed in the audited financial statements, can the EBA confirm that it is not mandatory to populate column E in this situation?

## **Question 9.**

***Template IF EU CC2 - Do the respondents identify any discrepancies between the template and instructions and the requirements set out in the underlying regulation?***

At the top of the template EU IF CC2, it states that it is a “Flexible template” and “Columns shall be kept fixed, unless the investment firm has the same accounting and regulatory scope of consolidation, in which case the volumes have to be entered in column (a) only.” It would be helpful if further clarity could be provided on the definition of “accounting” in relation to this template. For example, “accounting” in relation to consolidation may only be prepared for regulatory purposes and thus is aligned with the regulatory scope by default. However, if accounting in this template refers to “statutory accounting” then there could be differences in items between solo (statutory financial statements) and consolidated positions (non-statutory financial statements prepared for regulatory purposes only).

## **Question 10.**

***Template IF EU CCA - Are the instructions and templates clear to the respondents?***

We have no additional comments.

## **Question 11.**

***Draft ITS on reporting and disclosures of investment firms - Is the ITS text clear to the respondents?***

We reviewed the draft Implementing Technical Standards (‘ITS’) and noted the following points:

- (i) *Individual vs consolidated reporting and disclosures* - We welcome the draft ITS on reporting requirements however the regulations as detailed in Articles 54 and 55 of the IFR and Articles 4, 5 and 10 of the draft ITS appear to require reporting by each regulated entity, as well as reporting on a consolidated basis. It is not fully clear if there are reports and disclosures which are only required on a consolidated basis. In order to avoid unnecessary submissions, it would be helpful if the EBA clarified the level of application (individual / consolidated) for the various reports / disclosures required under IFR.
- (ii) *Completion of nil returns* - It would be helpful if the EBA would confirm the process for returns that are not applicable i.e. is a nil return submission required? For example, if firms are required to submit templates IF 10.01, 10.02 and 10.03, can the EBA confirm that they are not required to submit template IF 05.00 or alternatively a nil submission for IF 05.00 is required?



**Question 12.**

***Are the provisions of the RTS, the templates and instructions clear? In those cases where you identify issues, please provide concrete examples or detailed explanations to illustrate your doubt.***

We have no additional comments.

## Appendix 2 – Additional feedback from BlackRock in response to the EBA Consultation Papers and the IFR

### A. EBA/CP/2020/06 on prudential requirements

#### 1. Fixed Overhead Requirement (FOR)

##### **Draft RTS to specify the calculation of the Fixed Overheads Requirement (IFR Article 13)**

Our initial review of Article 13 of the IFR deduction categories compared with the current FOR deductions permitted under CRR confirmed that they were broadly similar, with two exceptions. The following deductions are not included in Article 13 of the IFR:

- (i) Fees, brokerage and other charges paid to clearing houses, exchanges and intermediate brokers for the purposes of executing, registering or clearing transactions; and
- (ii) Interest paid to customers on client money.

The draft RTS (Section 6) confirms that the following cost types would be deductible in arriving at the FOR:

- (i) Fees, brokerage and other charges paid to central counterparties, exchanges and other trading venues and intermediate brokers for the purposes of executing, registering or clearing transactions (Article 1(6(a))); and
- (ii) Interest paid to customers on client money, where there is no obligation of any kind to pay such interest (Article 1(6(b))).

The following points are referred to in Section 6 of draft RTS but would benefit from further clarity:

- (i) Article 1(2) - This article address instances where Financial Statements do not cover a 12-month period. This article could address more specifically whether a similar pro-rating is required on a cost-by-cost basis, even where the Financial Statements cover a 12 month period i.e. when a contract which incurs a fixed cost is entered into part-way through the financial year which is the reference period of the FOR calculation.
- (ii) Article 1(4(a)) - The reference to staff bonuses or other remuneration having “already been paid to employees in the year preceding the year of payment” is unclear. Can the EBA consider simplifying this wording.
- (iii) Article 1(5) - Where a breakdown of third-party expenses to be settled by the investment firm is not available, the approach required for determining the amount to be added to the investment firms FOR is unclear. We would expect only non-variable expenses to be included in the FOR, thus limiting the need for the calculation referenced in this article. As a result, the Regulatory expectation arising from this article is unclear. Further guidance, or a non-exhaustive list of the factors / attributes which would be a reasonable basis for calculating the attributable amount, would be also welcomed.
- (iv) Article 1(6(a)) - This article clarifies that a deduction is permitted where costs are “passed on and charged to customers”. Further clarity which confirms whether this is only

permitted when it is a direct and itemised recharge, rather than implicitly recharged through the structure of management / administrative fees, would be valuable.

- (v) Article 1(6(c)) - Clarity is required as to whether “losses from trading on own account in financial instruments” would include losses on foreign exchange (‘FX’) derivatives. If so, can the EBA confirm whether FX gains would be used to partially offset such losses in the FOR calculation?
- (vi) Article 3(a) - The reference to increases or decreases in “business activities” is ambiguous. Further clarity would be welcomed on the definition of “business activities” for the purpose of this article. Consideration should be given to the removal of this reference altogether in favour of a 30% / EUR 2 million threshold, irrespective of what drives the change.
- (vii) We also note that Section 12 (Article 9) of the Consultation Paper includes the provisions related to the calculation of the consolidated FOR. However, the thresholds which should be used to determine a ‘material change’ in the consolidated FOR have not been clarified. Whilst the 30% change threshold which has been proposed for individual firms may also be appropriate on a consolidated basis, we believe the €2 million change threshold would not be appropriate as this may represent a comparatively immaterial change on a consolidated basis depending on the size of the group.

## **2. K-factors K-NPR and K-CMG**

In relation to K-NPR and K-CMG, paragraph 4 of Article 21 of the IFR states that ‘an investment firm shall include positions other than trading book positions where those give rise to foreign exchange risk or commodity risk. That is to include positions other than trading book positions.’ Can the EBA confirm that the K-factors for K-NPR and K-CMG only apply to an investment firm that has the permissions to deal on own account (in own name, even if on behalf of clients) or underwrite or place on a firm commitment basis?

## **3. Consolidated K-CMH, K-ASA, K-COH and K-DTF**

- (i) The IFR makes no mention on what to do about intra-group amounts of the above K-factor metrics that do not relate to business external to the prudential consolidation group. Does the EBA agree that a proportionate approach, to avoid any potential ‘double counting’ when aggregating is to remove any intra-group transactions from the calculation of these consolidated values.
- (ii) Paragraph 2 of Article 19 of the IFR states that any amounts that have been delegated to another entity for safekeeping should be included within the calculation of K-ASA. Can the EBA confirm that when applied on a consolidated basis this is intended to apply only to delegation outside the consolidation group?

## **4. K-factor K-COH - Draft Implementing Technical Standards on reporting requirements for investment firms under Article 54(3) and on disclosures requirements under Article 49(2) of Regulation (EU) 2019/2033**

- (i) It would be helpful if the EBA could clarify the methodology for calculating K-COH, the distinction between execution of client orders and reception/transmission of orders and the treatment of orders that are subsequently cancelled.

- (ii) Based on the proposed methodology, can the EBA confirm that it is acceptable for K-COH on cash trades would be calculated based on execution (i.e. the point at which a price is known)? Also, could the EBA produce a specific methodology for capturing and calculating transmission of the order if this was subsequently cancelled (e.g. there is a mistake when processing the order)?

## **5. Accounting standards to calculate the total value of assets - Draft RTS on the calculation of the threshold referred to in Article 4(1)(1b) CRR Article 8a(6) point b) of the CRD**

We would welcome additional guidance on the following points noted through our review:

- (i) Article 3(2) refers to “prudential individual reporting” however this terminology is not defined. As this could be the subject of local regulations, there could be a variation in the reports used and potential inconsistencies in the application of this statement. It would be helpful if the EBA could define this term and advise if the report used for the consolidating entity should be used for this calculation.
- (ii) Article 3 appears to suggest a waterfall approach is applied i.e. only if an institution cannot determine the value based on prudential reporting, should audited annual accounts as prepared under International Financial Reporting Standards (‘IFRS’) be used. If that is not available, the non-statutory financial statements should be used to calculate the total value of assets. Can the EBA confirm if this interpretation is correct and advise if firms are at liberty to select which method from Article 3 (2-4) they wish to apply?
- (iii) To reduce potential inconsistencies in the calculation of total assets, it would be helpful if Article 4 was updated to specify that the reporting reference date (rather than the date the amount is recorded) should be used for the spot exchange rate. It would also be helpful if the EBA confirmed if firms are required to apply exchange rates from a specific source.

## **B. EBA/CP/2020/07 on reporting requirements and disclosures**

### **1. Disclosures publication date**

Article 46 of the IFR states that “Investment firms ... shall publicly disclose the information specified in this Part on the same date as they publish their annual financial statements.” For entities where the accounts are not published (e.g. a consolidating entity), it would be helpful if the EBA clarified the equivalent date for submission. For example, can firms use the date of submission of the annual accounts to Companies House (or equivalent) as the date by which they need to publish the disclosures required in Part Six of the IFR?